

VZCZCXYZ0011
PP RUEHWEB

DE RUEHC #5180 3102202
ZNY CCCCC ZZH
P R 062157Z NOV 09
FM SECSTATE WASHDC
TO RUEHMS/AMEMBASSY MUSCAT PRIORITY 0000
INFO RUETIAA/DIRNSA FT GEORGE G MEADE MD
RUEAIIA/CIA WASHINGTON DC
RHMCSUU/FBI WASHINGTON DC 0000
RUEKJCS/SECDEF WASHINGTON DC
RUCPDOG/USDOC WASHINGTON DC 0000

C O N F I D E N T I A L STATE 115180

SENSITIVE
SIPDIS

E.O. 12958: DECL: 11/02/2019

TAGS: [ETTC](#) [KOMC](#) [MU](#)

SUBJECT: BLUE LANTERN OUTREACH TO OMAN: DISCUSSIONS WITH
CENTCOM, EMBASSY, GOO OFFICIALS, AND INDUSTRY

REF: A. MUSCAT 845
[1](#)B. MUSCAT 983
[1](#)C. MUSCAT 857

Classified By: Daniel J. Buzby, for reasons 1.4(a), (b), and (d)

[1](#)1. (SBU) SUMMARY: Compliance Specialist Kyle Ballard from the Department's Office of Defense Trade Controls Compliance (PM/DTCC) met October 20-22 in Muscat with USG officials, Government of Oman officials, and members of the Omani business community to discuss the Blue Lantern end-use monitoring program and related defense trade compliance issues. Topics included end-use monitoring, third-party transfers, Arms Export Control Act (AECA) Section 3 violations involving unauthorized re-transfers and re-exports, and the export of defense articles and technology from the U.S. to countries within Central Command's (CENTCOM) area of responsibility (AOR). Briefings to participants of the Defense Security Cooperation Agency's (DSCA) CENTCOM End-Use Monitoring Regional Forum strengthened DOS-DOD collaboration by clarifying distinctions between State (Blue Lantern) and Defense (Golden Sentry) end-use monitoring requirements and procedures, and identifying areas for future cooperation. Meetings with Embassy country team and representatives of Omani industry were part of PM/DTCC's ongoing efforts to improve the effectiveness of Blue Lantern through outreach visits with posts, industry and host governments. END SUMMARY

[1](#)2. (U) Administered by PM/DTCC and required under the Arms Export Control Act (AECA), Blue Lantern is a global program designed to verify the end-use, end-users, and disposition of commercially exported defense articles, technology, and services. PM/DTCC reports on unauthorized re-transfers and misuses of U.S.-provided defense articles, defense services, and related technical data. Under Section 3 of the AECA, the Department, as the President's delegate, must report to Congress any unauthorized re-transfer, re-export, misuse or failure to secure items originally transferred or sold under military assistance programs or DCS transactions that reach certain Congressional notification thresholds.

CENTCOM BRIEFINGS

[1](#)3. (U) On October 20, PM/DTCC Compliance Specialist Kyle Ballard briefed participants of the Defense Security Cooperation Agency's (DSCA) CENTCOM End-Use Monitoring (EUM) Regional Forum on Blue Lantern, third-party transfers, AECA Section 3 violations, as well as registration and EUM requirements under Section 1228 of the National Defense Authorization Act (NDAA) of 2008. Participants included

Security Assistance Officers (SAO) from nearly all CENTCOM military groups, officers responsible for international programs at CENTCOM headquarters, and program managers of DSCA's Golden Sentry EUM program in Washington. Successful joint outreach efforts involving PM/DTCC and DSCA have helped audiences better understand the similarities and differences between the regulations governing the export of defense articles and technology exported via direct commercial sales (DCS) and Foreign Military Sales (FMS). The session began with back-to-back briefings on Golden Sentry and Blue Lantern as well as AECA Section 3 and third-party transfers. PM/DTCC also briefed the registration and EUM requirements for lethal defense articles exported to Iraq mandated in NDAA Section 11228.

14. (U) Questions and discussion during the CENTCOM forum and sidebar meetings focused on the differing requirements and capabilities of EUM through Blue Lantern and Golden Sentry. One salient difference is the absence of Letters of Offer and Acceptance (LOAs) for DCS transactions through which end-users agree to EUM, as is done with FMS transfers. Ballard emphasized that foreign participation in the Blue Lantern program is not legally enforceable but has a direct impact on an entity's eligibility as a party to ITAR-controlled DCS transactions. This is based on the legal requirement set forth by the AECA that the President establish an EUM program through which to receive "reasonable assurances" that exported and brokered defense articles and services are used in accordance with U.S. regulation by the authorized parties for the purpose for which they were provided. Participants of the Forum also expressed confusion regarding EUM for transactions contracted by DOD but outside FMS programs. Ballard explained that all exports of U.S.-origin defense articles and services are subject to EUM per the AECA and, if not explicitly subject to the Golden Sentry program or "controlled by the President by other means," would likely fall under the ITAR and the Blue Lantern program. This can often be determined by identifying the source of funding and/or the program through which a defense article or service was procured or provided. PM/DTCC and DSCA representatives are always available to help make determinations of this nature.

15. (U) Several participants sought guidance on when an incident was reportable under Section 3 of the AECA. Ballard emphasizing that reporting even possible AECA Section 3 violations is a statutory requirement. Ballard reiterated PM/DTCC's commitment to utilizing all resources available in investigating potential Section 3 violations and emphasized the importance of SAOs being prompt and open about disclosing to the Department any possible violations as they occur. SAOs should also be prompt in seeking guidance from the Department when specific questions arise about whether certain activity constitutes a violation. Ballard encouraged that mitigating factors be provided for inclusion in Section 3 reports, when possible. PM/DTCC and DSCA also reiterated that "change in end-use" authorization is required by the AECA to properly destroy or otherwise dispose of defense articles. Participants requested more information on how to best assess the current value of defense articles, which is helpful in retransfer or re-export authorization requests. Both PM/DTCC and DSCA representatives will seek and provide further information on this issue after consulting others in Washington.

COUNTRY TEAM BRIEFINGS

16. (U) Ballard briefed the Blue Lantern program and general export licensing procedures to several country team members, including COL Frank Molinari, head of the Office of Military Cooperation (OMC); MAJ Earle Trott of the OMC; Political-Economic Section Chief John Clarkson; PolEcon Officers Myca Craven and Elizabeth Powers; and EXBS Program Advisor Larry Adkins. Country team members explained that Oman has a significant population of third-country nationals that maintain a large presence in the work force. Laws in

Oman push continued "Omanization" by requiring that a company's work force be made up of a certain percentage of Oman nationals. Each sector of the economy has its own percentage requirement. Members of the country team are unaware of any specific issues with third-country nationals gaining access to ITAR-controlled defense articles but note that many companies employ third-country nationals. However, the Government of Oman has tight controls on all defense articles in the country.

¶7. (U) PolEcon Officer Craven provided a briefing on recent port developments in Oman. Oman has several ports but the port in Salalah is the largest for transiting shipments. Approximately ninety-eight (98) percent of the goods processed through Salalah are transiting to a foreign destination. The Government of Oman (GOO) hopes to build Salalah into a larger commercial hub and, with USG assistance, is enhancing its capabilities with non-intrusive screening and radiation detection technologies.

¶8. (C) Also, in response to the encroachment of piracy in the region, GOO has established a process by which "embarked security teams" entering or exiting Salalah can transport their defense articles through Oman (REFTEL A). GOO has also established a process by which the equipment can remain on board the vessel while in Omani waters. All U.S. export licenses for ITAR-controlled defense articles should specifically reflect the fact that the items are transiting Oman, if applicable.

MEETINGS WITH INDUSTRY REPRESENTATIVES AND THE ROYAL COURT OF OMAN

¶9. (U) PM/DTCC representative Ballard accompanied Embassy Muscat PolEcon Officers John Clarkson and Elizabeth Powers on a site visit to Khimji Ramdas (KR). Team met with KR Director, Anil M. Khimji and CEO, M.C. Jose. KR staff provided background information on the company's business operations, as well as KR's physical security measures for handling sensitive U.S. defense articles. The company is registered with the Directorate of Defense Trade Controls as a broker but the company stated that ITAR-controlled brokering activity is rare and always on behalf of government agencies (REFTEL B).

¶10. (SBU) Clarkson, Ballard, and EXBS Program Advisor Larry Adkins also met with General Manager of Trade Wings LLC Ibrahim Al-Saadi and representative of the Royal Court of Oman Salim Al Juhuri to discuss a shipment of firearms ordered by Trade Wings on behalf of the Royal Court. The shipment was originally exported from the United States under a permanent export license but was detained in Germany and returned to the United States due to a lack of proper transit authorization. After the U.S. exporter amended the shipping route, the company attempted to export the firearms from the United States again. The shipment was detained by U.S. Customs and Border Protection (CBP), as the proper documentation for the firearms' entry back into the United States was not on file. The original order was placed by the Royal Court nearly two years ago and all parties involved are awaiting the levying of fines by CBP (REFTEL C).

¶11. (SBU) Representatives of both Trade Wings and the Royal Court expressed concerns with these issues as the Royal Court needs the firearms to conduct its duties and may need to find another supplier for these firearms. Trade Wings wants to avoid losing the Royal Court's business on this transaction and on several other firearms orders that are awaiting the resolution of these issues. Ballard explained the U.S. licensing and export process to both parties and suggested that new orders can be processed while these issues get resolved. Embassy Muscat affirmed the Royal Court's needs and requested that PM/DTCC assist in the approval of appropriate export licenses and in expediting CBP's

enforcement actions, if possible. PM/DTCC is currently working with the U.S. vendor and CBP to determine a way forward.

¶12. (U) PM/DTCC would like to express its gratitude to Embassy Muscat's Elizabeth Powers and John Clarkson; DSCA's Chuck Handal; and CENTCOM's LCDR Martin Thomas.
CLINTON